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OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON

2 February 1948

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Dear Mat:

When you were in Secretary Forrestal's office early last week I mentioned that I had a paper that I thought might be helpful in your study of the Central Intelligence Agency.

This paper is unsigned but for your information was written by Stephen Penrose, who has been with me here for about three months but who is leaving to become President of Beirut University. Penrose was with OSS during the war - in charge of their Middle East Division and later came to Washington in one of their divisions. He left C.I.A. because he felt that there were too many Captains and Colonels placed in charge of divisions who did not have background for the Intelligence Type of work. Hillenkoetter told me he thought Penrose was an extremely able person but it had been reported to him that Penrose did not get along with some of his subordinates. I don't know whether that is true or not but in the short time he has been here I haven't found that to be the case.

To my mind there is little question that his statements might be colored to a degree because of his leaving C.I.A., but I have found him to be a "solid citizen" - everything he has told me has a basis and fact.

Sincerely,

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REPORT ON CIA

January 2, 1948

Special Operations is continuing to lose its experienced officers with four and five years of wartime experience. It is on the point of losing its foreign exchange expert, who learned his business with the Navy in World War I, and who, in the last war provided funds for secret operations in OSS so successfully that not a single operation was ever blown through improper use of money. His record was not duplicated even by the British service. With him goes all capacity of SO for fiscal counter-intelligence. With him also is lost the agent cashier most widely trusted by the Treasury.

SO is also probably losing a branch chief who was closely connected in OSS with the advance preparations for the Africa landings and acquired there and later a knowledge of handling undercover work which is not now equalled in the organization since the previous departure of other similarly experienced men.

One of the most experienced and effective field mission chiefs in the organization has just returned to this country and there is strong likelihood that he will decide to leave the work. This man is the author of a recent report on the situation in Austria, prepared at the request of USFA, which has made a very great impression on the State Department.

None of these losses is necessary, for all three men had considered intelligence as their profession. They are simply fed up with what they consider to be the inept and unimaginative policies of SO, and have lost confidence in its leadership.

Special Operations is headed by an officer known among his Army friends as "Wrong-Way" Galloway. Their doubtful esteem of him is more than matched by that of his associates and subordinates within his office and by that of the heads of other branches within CIA. He is hardly on speaking terms with General Sibert of OO. He has permitted the State Department SO to hamper and control the nature of most SO field operations and has secured so little support for his major liaison officer that the latter, another man of considerable experience, is also looking elsewhere for work. Colonel Galloway has little comprehension of the real nature of secret operations, and is so irascible and dogmatic that he discourages any efforts to discuss technical details with him. For his technical and organizational advice he is accustomed to call upon subordinates like William Tharp, Chadbourne Gilpatrick, or Harry Rositzke, who although they have been in the organization for some time, have had practically no real operational experience. Their freely offered operational theories appear

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to be acceptable to Colonel Galloway at the same time that they are the despair of their more experienced associates. Gilpatrick has just become the major deputy to the Chief of Operations Staff, who has been persuaded to assign elsewhere the only technically experienced assistant he possessed on his immediate staff. As a result of this development apprehension has increased on the operating levels, and new withdrawals are being contemplated.

In the face of the losses of experience, Colonel Galloway is bringing back into his office the Colonel Dabney whose unwise and uninformed suggestions as regards organizational structure are in part responsible for the ineffectiveness of operation which has so discouraged the older men. The policy of bringing in newcomers to occupy key posts without giving them operational seasoning results in keeping the organization constantly off balance through the varying and uncertain direction which it receives. Colonel Galloway's deputy is a Captain McCracken (Navy) whose interest in the work is not matched by any intelligence experience, and his complete subordination to Colonel Galloway gives him little opportunity to serve as anything but a "yes-man". Captain McCracken replaced Captain Goggins who was only too happy to return to active Navy duty in Panama after serving a term as Colonel Galloway's deputy.

In spite of this situation within SO it is still the one branch of CIA which has the respect of outside agencies. OIR in State prefers to receive raw intelligence direct from SO rather than in processed form from OR&E, not only for the sake of speed but because the type of processing now given by OR&E detracts from rather than adds to the value of the reports. With rare exceptions the studies put out by OR&E are such as might be written by any fairly well-informed person, and they command little respect from the users of such reports in State, Army or Navy. The Strategic Intelligence Division of the Army recently pointed out that it had received no useful additions to its files since the R & A Branch of OSS had been broken up. It considers its conferences with CIA to be largely a waste of time, particularly as regards Russian matters. Captain Frankel (Navy) of the OR&E Russian division seems content to rest upon his short visits to Russia as sufficient qualification of him as a Russian expert.

A report on an aviation subject was recently prepared for OR&E by the Library of Congress. The research people of the Library developed a rather low opinion of the OR&E men with whom they had contact who seemed to be astonished at the quality of the report, which they felt was beyond their capacity. On a later report in the same field the Library furnished to a research man from OR&E a complete bibliography for his research, covering European materials in the main. They were told by him to omit anything which was not in

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English since he could not handle any foreign language. This eliminated at least 80 percent of the material. Naturally the Aeronautics Division of the Library was not favorably impressed by the capacity of the research man or of those who directed him and had presumably planned his work.

An unduly large proportion of the effort of OR&E is devoted to putting out the daily intelligence summary. This publication, containing chiefly State Department materials, could be put together in short order by a small unit of editorial analysts instead of requiring half the day of the majority of branch heads and their staffs, as appears now often to be the case.

OR&E, which should be the top research and analysis office in the government, is headed by a former assistant military attache in Turkey who was never distinguished either for research or administrative ability during his pre-war stay on the Yale faculty. His stature is not such as to attract highly qualified research experts. One of the ablest men in OR&E, the head of the scientific branch, is there more because of the influence of Dr. Bush than of anyone in CIA, and he is very critical of the inflexible and unimaginative organizational and personnel policies of CIA as interpreted by Col. Shannon, with whom he has already come into conflict.

Dr. Wallace Brode, the distinguished scientist mentioned, has not been permitted to organize his own branch according to his own ideas, although his organizational views were proved by experience at Inyokern during the war. When his plans were finally forwarded they were accompanied by a set of contrasting plans drawn by Col. Babbitt and Col. Shannon, in the drafting of which Dr. Brode was not consulted. Such action was contrary to the written agreement made between Dr. Bush and General Vandenberg.

Contacts between CIA and outside scientific agencies are channelled, as are most CIA liaisons, with other agencies, through the Office of Collection and Dissemination or the Office of Operations. The former is controlled by Col. Sands, a former CIC head in Germany under Gen. Sibert, who heads OO. Contact with AEC is supposedly maintained by Col. Seaman of OCD, formerly an officer with Manhattan District but possessing no scientific stature approaching that of Dr. Brode through whom AEC would greatly prefer to channel their relations with CIA. Dr. Brode is a member of the National Research Council, relations with which are supposed to be carefully channelled through OCD to some secretary of the Council. Dr. Brode is thus supposed to handle relations with himself through the devious intermediation of a chain of uninformed contacts.

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In short, OGD, which should be vitally concerned with expediting and facilitating contacts with outside agencies for operational or informational purposes, interposes a mechanical and inflexible channelling procedure which can and does block such contacts and bottleneck the interchange of information which should flow freely through them. Without question a system of approving outside contacts is essential but it must be administered imaginatively and not in the mechanical fashion which is apt to be typical of military procedure.

With regard to the Office of Operations, it has brought CIA into considerable disrepute among a number of large business concerns and notably Standard Oil of N. J., because of the ineptitude with which contacts were established and handled. As a result CIA is effectively blocked off from such potential sources of valuable intelligence, which Operations Office was set up to tap.

Partly because of the bad relations existent between the heads of OO and SO and partly because of the ineffectiveness of the former office practically no leads have been provided to SO for long range undercover operations or personnel. OO, because of its expected wide connections with business firms and educational institutions, was supposed to unearth numerous opportunities which SO could be counted on to exploit, or to acquaint SO with personnel who might be utilized in SO's operations. Neither service for SO has developed in practice.

In the direct line of its own responsibility for briefing and debriefing competent Americans travelling abroad OO has shown little alertness to respond to cases brought directly to its attention. Recently the impending voyage abroad of a well-qualified observer, was brought to OO's notice, but no contact was made before the man's departure and none has occurred since his return. Because of the lack of contact it was not possible to judge OO's competence at briefing and debriefing, but the indications are that relations with the geographic experts of ORAE or SO are not sufficiently close or frequently developed to permit the manning on short notice of a qualified briefing panel or the preparation of a professional brief.

The disturbing situation which has been described is the more alarming because it occurs at a time when, as almost never before, the government needs an effective, expanding, professional intelligence service. On the contrary, CIA is losing its professionals, and is not acquiring competent new personnel who might gain experience in the only rapid way possible, namely by close association with those professionals. It is dependent in most working branches for imaginative and energetic direction upon career military men of a type which is not apt to be either imaginative or energetic as regards non-military intelligence or procedures. As a direct result, CIA has failed to

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to win the confidence of the military services or the State Department and is rapidly losing what confidence they had had in its predecessor organizations. Yet effective cooperation with these departments is a sine qua non of CIA success. Under present conditions such cooperation does not exist to any practical degree. Other departments feel no assurance that they can rely upon CIA to perform intelligence functions which they will privately admit could and probably should be performed centrally. Without that assurance they will continue, as they are continuing, to operate their individual intelligence services in a manner which cannot but nullify the principles of coordination and centralization which were implicit in the establishment of CIA.

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